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| **#2 Trust Account Controls** | |
| **Procedures to meet this best practice:** |  |
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* Escrow funds and operating accounts are separately maintained.
  + Escrow funds or other funds the Company maintains under a fiduciary duty to another are not commingled with the Company’s operating account or an employee or manager’s personal account.
* Escrow Trust Accounts are prepared with Trial Balances.
  + On at least a monthly basis, Escrow Trust Accounts are prepared with Trial Balances (“Three-Way Reconciliation”), listing all open escrow balances.
* Escrow Trust Accounts are reconciled.
  + On at least a daily basis, reconciliation of the receipts and disbursements of the Escrow Trust Account is performed
  + On at least a monthly basis, a Three-Way Reconciliation is performed reconciling the bank statement, check book and Trial Balances.
  + Segregation of duties is in place to help ensure the reliability of the reconciliation and reconciliations are conducted by someone other than those with signing authority.
  + Results of the reconciliation are reviewed by management and are accessible electronically by the Company’s contracted underwriter(s).
* Escrow Trust Accounts are properly identified.
  + Accounts are identified as “escrow” or “trust” accounts. Appropriate identification appears on all account-related documentation including bank statements, bank agreements, disbursement checks and deposit tickets.
* Outstanding file balances are documented.
* Transactions are conducted by authorized employees only.
  + Only those employees whose authority has been defined to authorize bank transactions may do so. Appropriate authorization levels are set by the Company and reviewed for updates annually. Former employees are immediately deleted as listed signatories on all bank accounts.
* Unless directed by the beneficial owner, Escrow Trust Accounts are maintained in Federally Insured Financial Institutions.
* Utilize Positive Pay or Reverse Positive Pay, Automated Clearing House blocks and international wire blocks, if available.
  + Background Checks are completed in the hiring process. At least every three years, obtain Background Checks going back five years for all employees who have access to customer funds.
* Ongoing training is conducted for employees in management of escrow funds and escrow accounting.